



Economic Contingency Of Sri Lanka

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ABSTRACT

Sri Lanka, formerly known as Ceylon, is an Island country in South Asia. It lies in the Indian Ocean, Southwest of the Bay of Bengal. Cause it is an Island country and mineral reservation of the country is also not satisfactory, its economy basically depends on tourism industry. Ocean surrounding gives parts to this country from where it can export and import the goods. Its geographical condition has direct impact on its economy. Since 2010 Sri Lanka's economy started to trickle down and in 2020 the country is in its worst economic condition. The major cause of this crisis in political corruption, external debt, fall in foreign remittance etc. Sri Lanka government has failed to pay debt interest payments, causing two of the world's biggest credit rating agencies to declare it has defaulted which seriously damage investors' confidence in country. Now Sri Lanka has lacked the foreign currency to buy all that it needs from abroad. Shortages of food and fuel, power cut, lack of medicines is the major problems Sri Lanka is facing right now.

Keywords: *Sri Lanka, Economic Crisis, Foreign remittances, External debt, Power cut, Tourism industry.*

INTRODUCTION

Economic crisis is a period of economy in which economy faces many difficulties. Economy is backbone of any country. It makes path for development of any nation. The economic condition of any country is evaluated by its Gross Domestic Product (GDP). The GDP of Sri Lanka in 2021 was 3830 dollars estimated. The GDP of Sri Lanka is continuously falling after 2018. The economic crisis in Sri Lanka is an ongoing crisis that started in 2019. It is the country worst economic crisis since its independence which is more than 15%. It has led to inflation, food crisis, energy crisis, shortage of medical supply, depletion of foreign exchange resources and increase in prices of basic commodities. The public debt of Sri Lanka is around 110% of their GDP, because of that Sri Lanka has no other option but to borrow money from different countries, IMF or International fund. In January 2022 Sri Lanka operated China for loan instead of IMF. Sri Lanka economic crisis started since the end of 2019 but its foreign debt money from China, Japan, India and also from Asian Bank and World Bank.

STUDY AREA

Sri Lanka is one of the Island country of Asian continent. It is located in South Asia with the geographical extension between 5°55" N to 9°51" N and 79°41" E to 81°53" E. The maximum length of Sri Lanka is 432KM and maximum width is 224KM. The total area of Sri Lanka is 65612 KM² with the population of 2.19 crore⁽¹⁾. The density is 3377 person per sq. KM. Sri Lanka is divided into 9 provinces and 25 districts. The climate of Sri Lanka can be described as tropical and quite hot. The longest river of Sri Lanka is Mahaweli which is 335 KM long. Legislative capital of Sri Lanka is Sri Jayewardenepura and executive and judicial capital is Colombo, which is the largest city here.

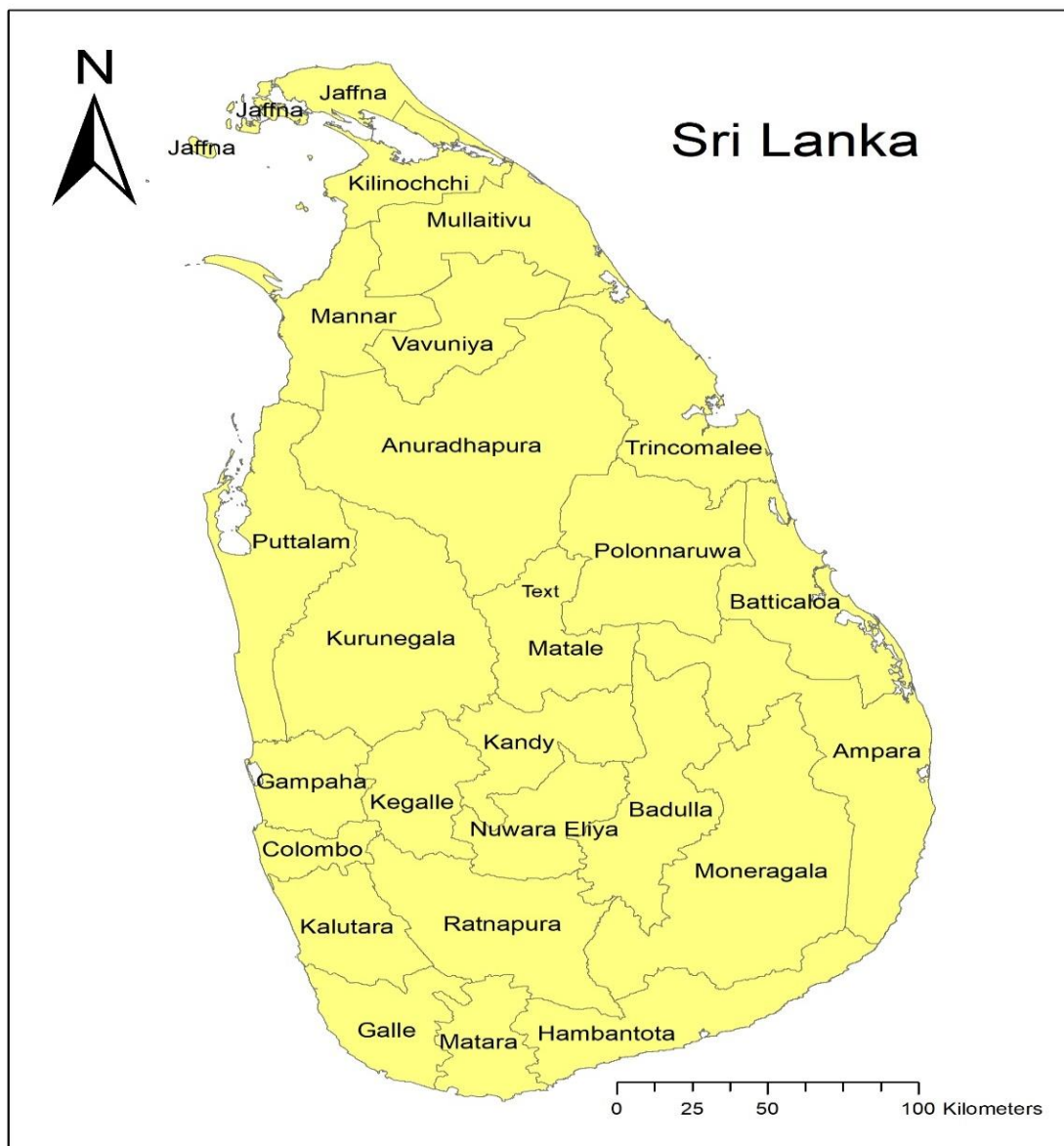


Fig: Sri Lanka

OBJECTIVES

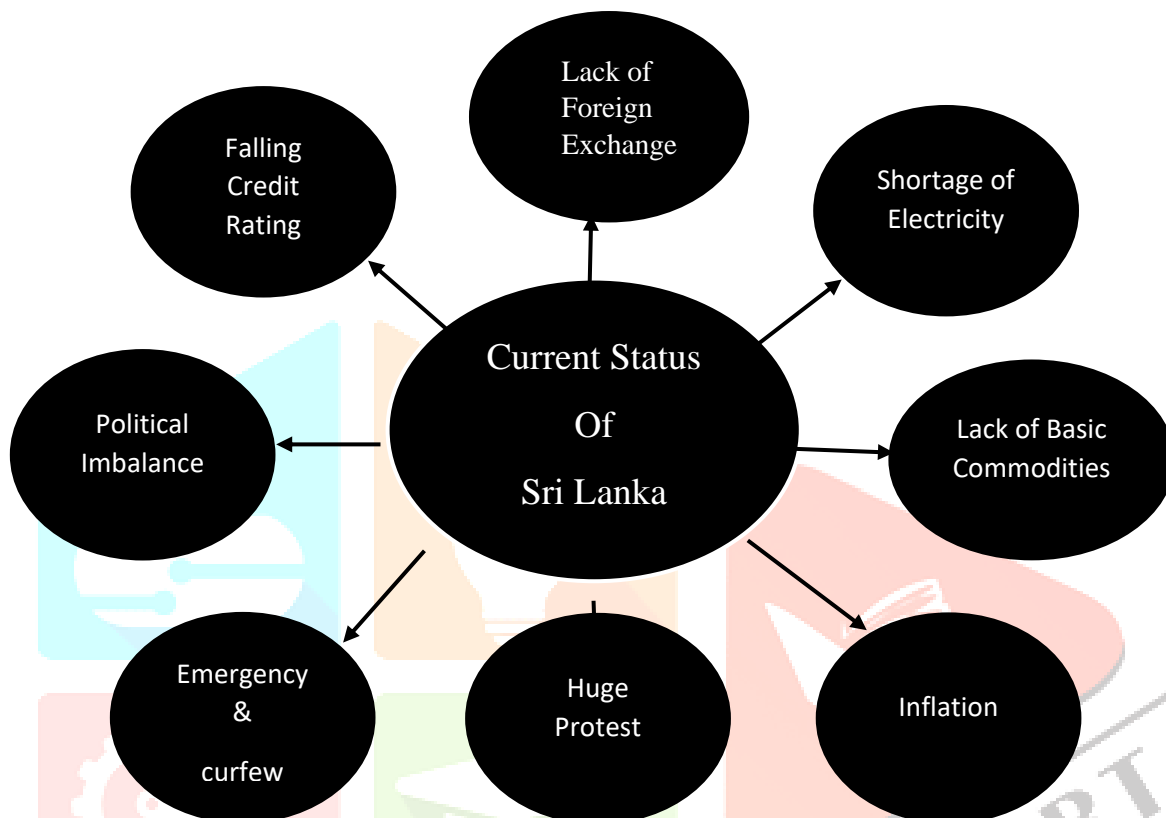
- To study the impact of Sri Lanka crisis on India.
- To find out the major causes behind the crisis.
- Role of politician behind the crisis.

DATA BASE AND METHODOLOGY

The study has been accomplished mainly through secondary data, which have been collected from various national or international article, journal and other published material. Arc map 10.3 software has used for map making. Further MS Word 2013 has used for various work like diagram, writing and others work.

IMPACT ON SRI LANKA

Lack of basic commodities government of Sri Lanka do not have enough money for basic commodities which lead food crisis, power cuts lasting up to 13 hours, petroleum production crisis etc.



Political instability – Because of economic crisis, people of Sri Lanka are protesting against the government which leads to political instability within the country.

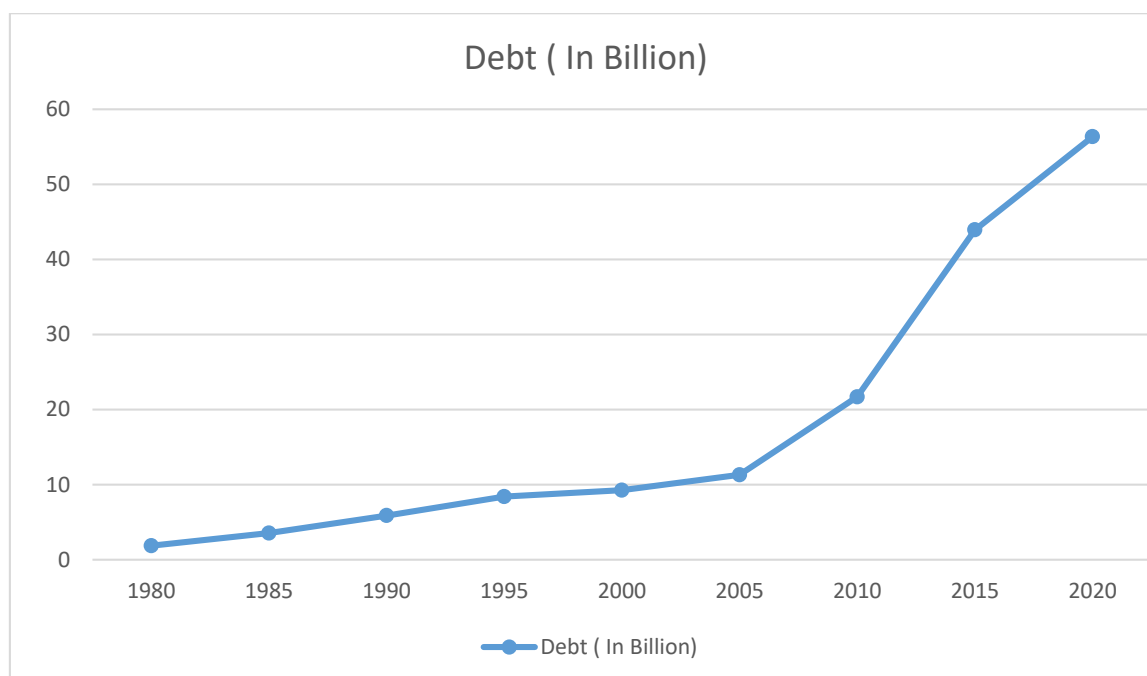
Debt on country – to solve the economic crisis of the country government has to barrow money from different countries or IMF but the country is not in the condition to pay the debt any time soon which makes the country long time debt bearer.

Effect on neighbor countries – As India is the nearest neighbor of Sri Lanka, the threat of large-scale humanitarian crisis could be on India.

CAUSES

Political corruption – The government of Sri Lanka under President Gotabaya Rajapaksa made large tax cuts that affected government revenue.

External debt – The external debt of Sri Lanka is approximately 110% of its GDP, because of that the country has to borrow money from different sources.



Source- World bank

Fall of foreign remittances – 1 US dollar is equal to 277 Sri Lankan Rupees so, if Sri Lanka wants to buy something, it has to pay more currency. That means import become expensive and that will have the strike down effect on Sri Lanka's domestic market.

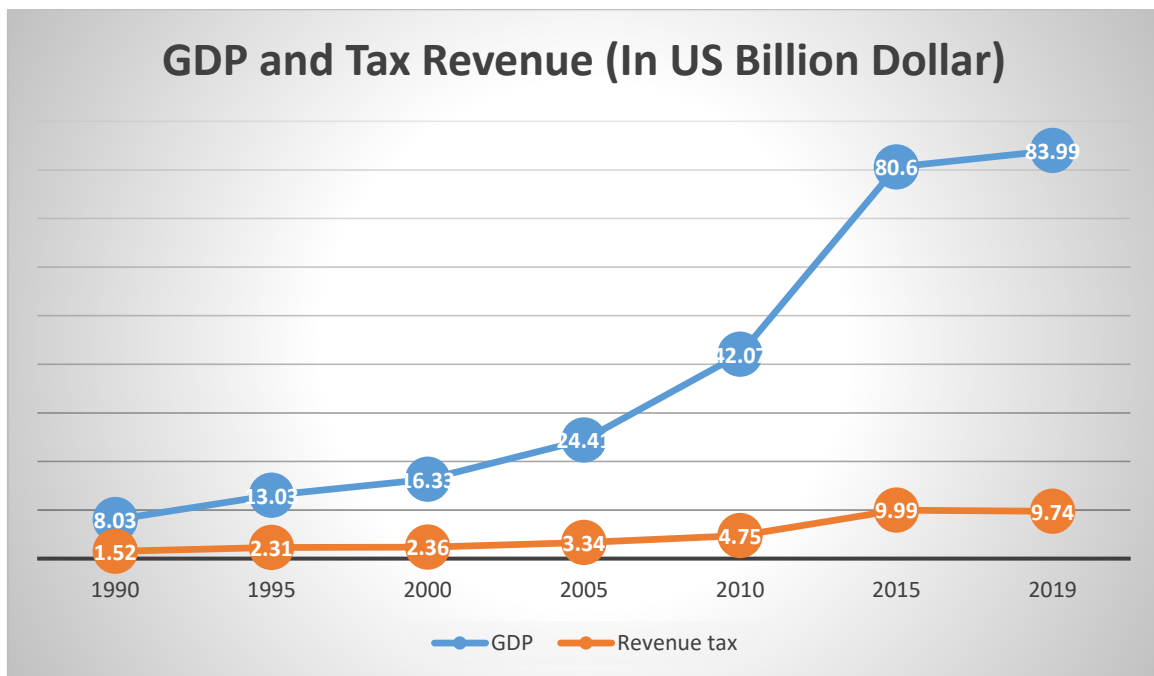
Tourism – Because of pandemic the tourism industry of Sri Lanka almost goes down which causes huge deprivation.

Monthly Tourist Arrivals Reports 2021

Month	2020	2021	% Change 2020/21
January	228,434	1,682	99.3%
February	207,507	3,366	98.4%
March	71,370	4,581	93.6%
April	0	4,168	---
May	0	1,497	---
June	0	1,614	---
July	0	2,429	---
August	0	5,040	---
September	0	13,547	---
October	0	22,771	---
November	0	44,294	---
December	393	89,506	---
Total	507,704	194,495	61.7%

Sources: Tourism Development Authority, Sri Lanka

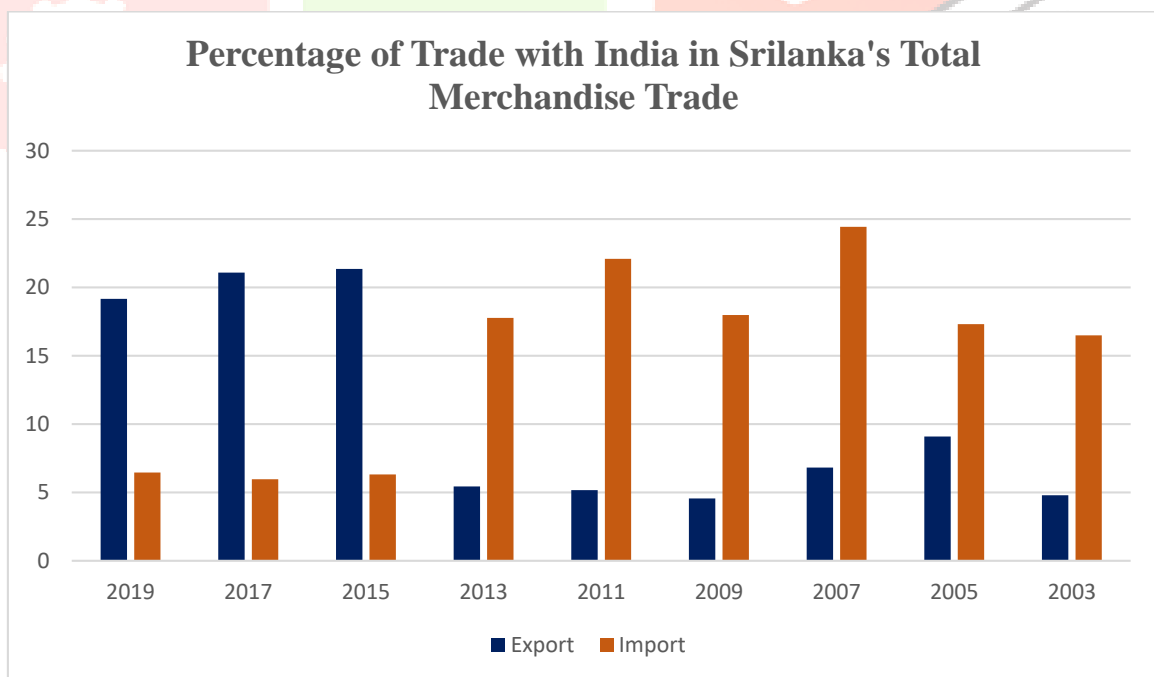
The reason behind the worsening economic condition of Sri Lanka is the economic mismanagement done by there government, decision of deduction of taxes 2019, impact of COVID-19, reduction in investment due to falling credit rating, ban on export of all chemical fertilizers in 2021 etc. are the main reasons.



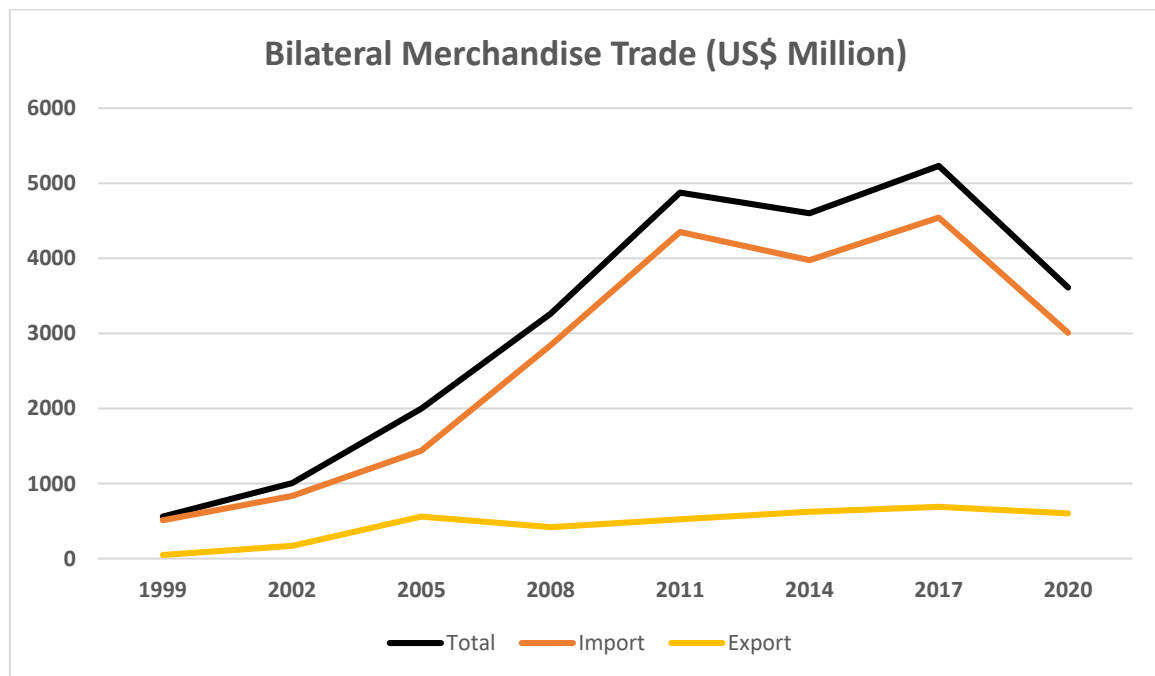
Source- World bank

IMPACT ON INDIA-SRI LANKA TRADE

India-Sri Lanka relation is very important economic purpose. Sri Lanka has been importing so many goods from India from ages. In 1999, the trade between these two countries were 561 US million dollar which increased more than 6 times till 2020 and became 3612 US million dollar. The top products, which is imported by Sri Lanka from India are pharmaceutical products, worth 198.51 million USD, sugar confectionery worth 178.65 million USD, fuels worth 146.94 and iron steel worth 110.96 million USD. Sri Lanka is also very important for Indian geopolitics because India also imports so many things from Sri Lanka like animal fodder worth 46.49 million USD, minerals and fuel, oil, waxes worth 42.46 million USD and others.



Source: Sri Lanka Customs



Source: Sri Lanka Customs

STEP TAKEN BY INDIA

- India provides 500-million-dollar credit line in February, 2022
- Assisted more than 150,000 tons of petroleum products.
- Line of credit of 1 billion dollar for foods, medicines, and other essential goods.
- Currency swap of 400 million-dollar
- Sri Lanka's Central Bank deferred payment of dues.

CONCLUSION

Sri Lanka is an island country which is currently facing the worst economic crisis since its independence. The inflation rate is approximately 15% and GDP is continuously going down. The major reason of this crisis is political corruption and lack of foreign currency. External debt of the country which is approximately 110% of GDP is also one of the reason of the crisis. To fight the crisis government, need to borrow money from different countries or IMF, but the problem here is that the country is not in the condition to return the loan any time soon. To improve the current situation of Sri Lanka, it needs to stop the influence of China and along with India's investment, there is a need to improve relations with India so that Sri Lanka can come in a strong position.

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